



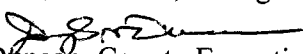
OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan  
*County Executive*

MEMORANDUM

January 13, 2005

TO: Thomas E. Perez, President, Montgomery County Council

FROM:   
Douglas M. Duncan, County Executive

SUBJECT: Washington Suburban Sanitary Commission (WSSC)  
FY06-11 Capital Improvements Program (CIP) and FY06 CIP Expenditures

I am pleased to transmit to you, in accordance with State law, my recommended FY06-11 CIP and FY06 CIP expenditures for WSSC.

For its FY06-11 CIP, WSSC proposes \$631 million, of which \$542 million represents Montgomery County and bi-county projects. WSSC's request for FY06 CIP expenditures for Montgomery County and bi-county projects is \$114.6 million, up \$12.5 million from the FY05 amount of \$102.1 million approved in May, 2004. The net increase is primarily attributable to an increase in estimates by the District of Columbia's Water and Sewer Authority (WASA) for the Blue Plains Advanced Wastewater Treatment plant (WWTP) and updated planning and design costs associated with the Potomac Bi-County Supply Main.

I support the program as submitted by WSSC, with a few noted exceptions. My recommendations for changes are discussed on the following pages.

**Spending Control Limits**

I generally concur with the Montgomery County Council recommendation on Spending Control Limits, which includes a maximum average water and sewer rate increase of 2.5 percent in FY06. Outyear planning estimates also include annual rate increases of 2.5 percent. It is important to achieve rate stabilization and ensure that debt service expenditures remain below 40 percent of the water and sewer operating budget. I recommend, however, that Spending Control Limits for new debt and debt service be adjusted to accommodate FY06 increases in bond expenditures related to WASA adjustments for the Blue Plains Advanced Wastewater Treatment Plant as outlined below. I also recommend that this additional debt service, in FY06 only, be paid using the sewer fund balance.



## Blue Plains Advanced Wastewater Treatment Plant

The four existing Blue Plains WWTP projects in WSSC's proposed FY06-11 CIP increased by 1.7 percent from the FY05-10 approved CIP. The increase supported WASA's cost estimates at the time of WSSC's CIP submission. Since WSSC developed its proposed CIP, WASA issued a FY04-13 CIP which further refined its capital investment needs. WASA's CIP indicates higher requirements for FY06, FY09, FY10, and FY11 and lower proposed spending in FY07 and FY08 than the WSSC proposal. I recommend adjusting the WSSC Blue Plains WWTP project estimates to align with current amounts proposed by WASA. The chart below indicates the magnitude of the recommended changes.

<b>BLUE PLAINS WWTP PROJECTS COST COMPARISON (\$000s)</b>							
<b>Projects</b>	<b>TOTAL 6 YR</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Liquid Train Projects, Part 2</b>	<b>57,693</b>	<b>26,701</b>	<b>22,114</b>	<b>7,640</b>	<b>779</b>	<b>235</b>	<b>224</b>
<b>Biosolids Management, part 2</b>	<b>176,926</b>	<b>21,395</b>	<b>61,160</b>	<b>62,588</b>	<b>30,336</b>	<b>1,321</b>	<b>126</b>
<b>Biological Nutrient Removal</b>	<b>13,239</b>	<b>6,588</b>	<b>4,988</b>	<b>1,663</b>			
<b>Plant Wide Projects</b>	<b>26,731</b>	<b>10,136</b>	<b>7,677</b>	<b>6,797</b>	<b>1,607</b>	<b>291</b>	<b>223</b>
<b>WSSC REQUEST TOTAL</b>	<b>274,589</b>	<b>64,820</b>	<b>95,939</b>	<b>78,688</b>	<b>32,722</b>	<b>1,847</b>	<b>573</b>
<b>CE RECOMMENDED TOTAL</b>	<b>280,620</b>	<b>73,972</b>	<b>61,788</b>	<b>54,709</b>	<b>49,040</b>	<b>26,684</b>	<b>14,427</b>
<b>Difference</b>	<b>6,031</b>	<b>9,152</b>	<b>(34,151)</b>	<b>(23,979)</b>	<b>16,318</b>	<b>24,837</b>	<b>13,854</b>

## Potomac Bi-County Supply Main

I recommend shifting all FY05 and FY06 proposed expenditures not associated with the project's alignment study to FY07-08 since it would be premature to begin project design until the study, which also includes alternative construction methods, is completed.

## Debt Capacity

State law provides for the option of a tax levy against all assessable property in the Washington Suburban Sanitary District by Montgomery and Prince George's Counties to pay for the principal and interest on WSSC bonds. This provision, which would be exercised only if requested by WSSC, does not constitute a pledge of the full faith and credit of the two Counties. However, WSSC bonds are part of the overlapping debt of County agencies. As of June 30, 2004 WSSC debt represented 54.6 percent of Montgomery County's gross overlapping debt. Therefore, the amount of debt that WSSC issues is a factor in rating agency assessments of the credit worthiness of Montgomery County. Further, high levels of debt service may result in increases in the combined water and sewer rate. Therefore, I support the assumption in the Montgomery County Council's

Spending Control Limits which allocates over \$5.0 million in PAYGO in FY06, since this would limit increases in new debt and debt service.

I would like to thank staff who have worked this fall to create this CIP recommendation. As always, Executive Branch staff are available to assist you in your deliberations. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring.

DMD:dmw

Attachments:    Executive Recommendation: Blue Plains WWTP: Plant Wide Projects  
                      Executive Recommendation: Blue Plains WWTP: Biological Nutrient Removal  
                      Executive Recommendation: Blue Plains WWTP: Biosolids Mgmt Pt. 2  
                      Executive Recommendation: Blue Plains WWTP: Liquid Train Pt. 2  
                      Executive Recommendation: Potomac Bi-County Supply Main  
                      Recommended FY06 Closeout Projects  
                      WSSC Proposed Capital Improvements Program, Fiscal Years 2006-2011

cc:    Bruce Romer, Chief Administrative Officer  
         Carla R. Joyner, Interim General Manager, Washington Suburban Sanitary Commission  
         Stephen Farber, Staff Director, County Council  
         James A. Caldwell, Director, Department of Environmental Protection